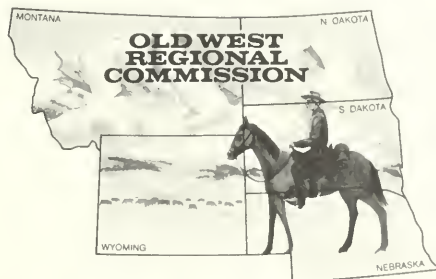


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**OLD WEST
REGIONAL
COMMISSION**
Annual Report 1974





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**The President of the Senate
The Speaker of the House of Representatives**

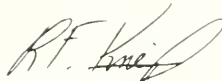
Gentlemen

Pursuant to Section 510 of the Public Works and Economic Development Act of 1965 as amended, the Old West Regional Economic Development Commission respectfully submits its second annual report, covering Fiscal Year 1974

The year was a significant one for the Commission. It was our first complete year of operation. It also marked the beginning of an intensive program to meet the sweeping socio-economic and environmental impacts which widespread coal development is bringing to the Region.

It became evident during this year that many Old West problems, both long-standing and new, may find solution in well-planned and coordinated regional action. Officials of the Region and its five States have committed themselves to seeking such a regional solution wherever it is appropriate.

Respectfully yours,



Richard F. Kneip
State Cochairman



Warren C. Wood
Federal Cochairman

Progress Through Partnership



Gov. Richard F. Kneip
South Dakota State Comptroller



Warren D. Wood
Federal Chairman



Gov. Thomas D. Bourge
Montana

The concept of regional economic action has imparted a new dimension to the governmental structure of the Old West States of Montana, Nebraska, North Dakota, South Dakota and Wyoming. As planning progressed through Fiscal Year 1974, the Federal-State partnership embodied in the Commission began to be a valid and effective weapon in solving or alleviating many chronic problems indigenous to the Old West, as well as those problems arising from rapidly growing interest in the Region's vast low-sulfur coal deposits.

Formally organized in August 1972, but virtually inactive during the major part of Fiscal Year 1973 because of indecision about the future of such Commissions, Old West in FY 1974 tackled a variety of pressing coal impact problems as well as economic development in other fields.

Its goal is to stimulate and lead the pace of economic development so that the citizens of the Region will become the recipients of a stronger, broadly-based and lasting prosperity.

The Commission has divided that goal into five major objectives:

Energy Resources - To develop guidance for State and local officials, helping

them to make resource priority decisions protecting the long range interests of the Region and its people.

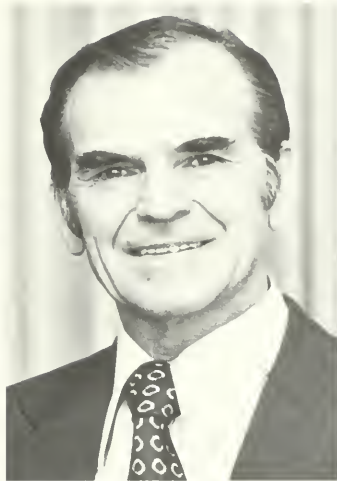
Agriculture and Natural Resources - To increase agricultural production, expand processing and marketing facilities, and attempt to solve water rights problems.

Transportation - To seek better facilities





Gov. James J. Exon
Nebraska



Gov. Arthur A. Link
North Dakota



Gov. Stanley K. Hathaway
Wyoming

ties and service among all forms of transportation

Human Resources—To help improve educational opportunities, especially in the vocational area, to upgrade health care and housing, and to create jobs

Industrial and Capital Resources—To provide Regional economic data to financial institutions, to assist in market-

ing, attracting new industries and expanding capital investment

The Commission's value in helping to achieve these objectives lies in its ability to identify and attack common Regional problems through coordinated action programs which preserve the benefits of regional action while respecting the independence and individuality

of the various States

The effectiveness of the partnership was seen in several ways. It gave the States, through their Governors, a stronger voice in the disposition of Federal funds. From the Federal standpoint, state participation throughout the project planning stages insured a more effective expenditure of funds. Joint planning protected the interests of both echelons and, through the States, permitted a significant contribution by local governments as well.

From a practical operational standpoint, the Commission became a device for action on interstate problems, alleviating the requirement for numerous compacts and other agreements





The Year's Highlights

Largely dormant throughout its first year of existence because of indecision over the future role of the Commissions and the resignation of its first Federal Co-chairman, Old West's program began to take shape in November 1973 with the appointment of Warren C. Wood as Federal Co-chairman.

The Federal staff was reorganized and a Commission office was opened in Rapid City, South Dakota. William Burnett of Wyoming was retained as Executive Director in charge of the Rapid City office.

A sub-regional office was opened in Billings, Montana, and was given the responsibility of coordinating Commission activity in energy development and maintaining liaison with the many Federal energy agencies also located in Billings.

In subsequent months a staff was recruited for both offices and began development of a comprehensive economic program.

In March, Gov. Richard F. Kneip of South Dakota was elected State Co-chairman, succeeding Gov. Arthur A. Link of North Dakota.

Recognizing the predominant and growing influence of the energy shortage upon the coal-rich plains of the Region, the Congress in its FY 1974 appropriation allocated the sum of \$2 million to the Commission to study how major deposits of low sulfur coal located within the Old West Region could be mined profitably while providing adequate protection from ecological deterioration.

The Commission elected to utilize these funds in a five-point course of action designed to assist the States and communities in meeting both the environmental consequences of energy development and the socio-economic problems generated by sharply increased populations and increased demands on limited government resources.

The program includes:

1. Analysis of new and proposed development projects so that their environmental and socio-economic impacts can be accurately determined by local officials.
 2. Establishment of criteria by which the same officials can determine which type of generating, processing or extraction technologies would best benefit their areas.
 3. Assessing the States' legal and regulatory framework to determine the range and limitation of legal remedies available to State and local authorities. Studies encompass taxation, economic protection in cases of growth or dislocation, population issues, corporate law compilations for non-resident companies, shipping and routing, area compacts (local and county as well as interstate) and financial incentives.
 4. Establishment of criteria for determining water requirements of various coal development and/or processing alternatives.
 5. Evaluation of the Region's vocational school systems to determine whether they have the ability to develop the type of skilled manpower required for development processes.
- Priority in program formulation was devoted to the energy situation, but before the year's end, the Commission also had begun long-range programs in several other critical areas, notably transportation, health services and international trade.
- It had also authorized establishment of advisory committees in the five basic program areas to provide guidance and a synthesis of Regional thinking.

Coping with Coal Development



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Faced with growing national energy problems and avid interest in the millions of tons of easily stripable coal in the States of Montana, North Dakota and Wyoming, the Commission's most pressing task was to assist the States and communities in meeting the coal-related problems which already were overwhelming many local officials. It was obvious that "King Coal" would dominate the thinking of the Region's officials in the years ahead.

The Commission is a participant in the Northern Great Plains Resources Program, an ad hoc coalition of Federal and State agencies seeking solutions to resource development problems in the west. The Commission works with

the NGPRP to coordinate exchange of information and to avoid duplication of research effort.

By the year's end, the Commission had committed \$1,814,228 of its \$2 million coal-related appropriation. Of this amount, \$1,564,228 was obligated in FY1974.

With the North Dakota legislature in the process of granting water rights to an eastern pipeline company for proposed construction of the first coal gasification plant within the Region, one of the first orders of business was to assess the impact of this plant and similar ones which had been proposed.

The task was two-fold. A specific assessment was undertaken of the socio-economic impacts which establishment of the plant would bring to the



town of Beulah, North Dakota, a community of 1300 people. Simultaneously a study was undertaken of environmental and resource-availability impacts associated with various forms of coal processing and delivering, such as gasification, liquefaction, slurry lines and mine-mouth generating.

Availability of water, a critical factor in coal processing as well as in the area's chief industry, agriculture, quickly emerged as the decisive factor. One early project dedicated to this determination was a far-reaching study of water withdrawals from the Yellowstone River basin where industrial demands exceeding one-third of the mean annual flow of the river had led Montana to place a moratorium on further industrial water allocations.

A similar project was undertaken in Wyoming, where officials began to study potential recharge rates in underground water reservoirs. Both studies were designed to furnish State officials throughout the Region with criteria for determining how rapidly coal mining and conversion, and industrial expansion could be permitted without damaging agricultural and recreational assets.

If water was the major concern, reclamation followed closely behind. In North Dakota, an intensive investigation was begun of effective reclamation on strip-mined lands. A second project was undertaken to test the utility of mined-out spoils for water storage areas and recreation areas.

Legal and regulatory studies, another integral part of the Commission's five-point coal development program, were started in the three impacted States providing guidance for both State and local officials on adjustment of their legal frameworks to accommodate expanded populations and the problems which accompany them. The original general investigation is being succeeded by additional specific studies in each of the impacted States.

Finally, as additional guidance to local officials, development of a procedures manual was undertaken to help assess the socio-economic impacts of construction and operation of coal gasification and liquefaction plants.



Profiting from the Land



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Another major concern of the Region was the possibility that the national requirement for energy and the consequent preoccupation with Old West coal development would destroy the stability of the agricultural industry. Energy industries were bound to cut heavily into water and land uses previously reserved for agriculture, and the fear was expressed that energy companies would move in, strip the coal and move on, leaving ravaged and worthless agricultural lands in their wake. While the Region clearly desires a diversification of industry, the thinking is firmly oriented to agricultural predominance.

Objectives for the agriculture and natural resources program centered around expanding production and processing within the Region, a search for expanded — particularly foreign — markets and the meeting of several long-term deficiencies in agriculture services. The problems were pointed up sharply by the Western Governors' Conference on Agriculture, co-sponsored by the Commission along with the Federation

of Rocky Mountain States and other Regional Commissions.

One of the deficiencies addressed by the Commission was the lack of a school of veterinary medicine in a Region which is one of the prime livestock raising areas in the country. Responding to an interest in each State in a Regional facility to meet this need, the Commission authorized a feasibility study to assess the need, the requirements and possible locations for such a school.

Other early Commission actions included a prototype project to reduce the amount of energy required to operate sprinkler and gravity irrigation systems and a demonstration project testing the economic feasibility of harvesting pre-commercial timber from overcrowded pine stands.

While most agricultural concern was directed at the encroachment of energy production upon grazing lands, another and potentially more serious threat to



Old West agriculture emerged. Growing official concern was expressed over the problem of saline seep, the process by which the soil gives up its salt as sediment in low-lying areas, contaminating both soil and water.

Saline seeps appear to be unique with the glacial terrain of Old West states primarily Montana, North Dakota and South Dakota. They had their origin when the grasslands were plowed for crop production. Water began to accumulate beneath the root zone and the saline sediment seeped out of the ground at lower elevations, forming a white crust, making land unsuitable for production, water unfit and sometimes toxic to humans, livestock, fish and wildlife.

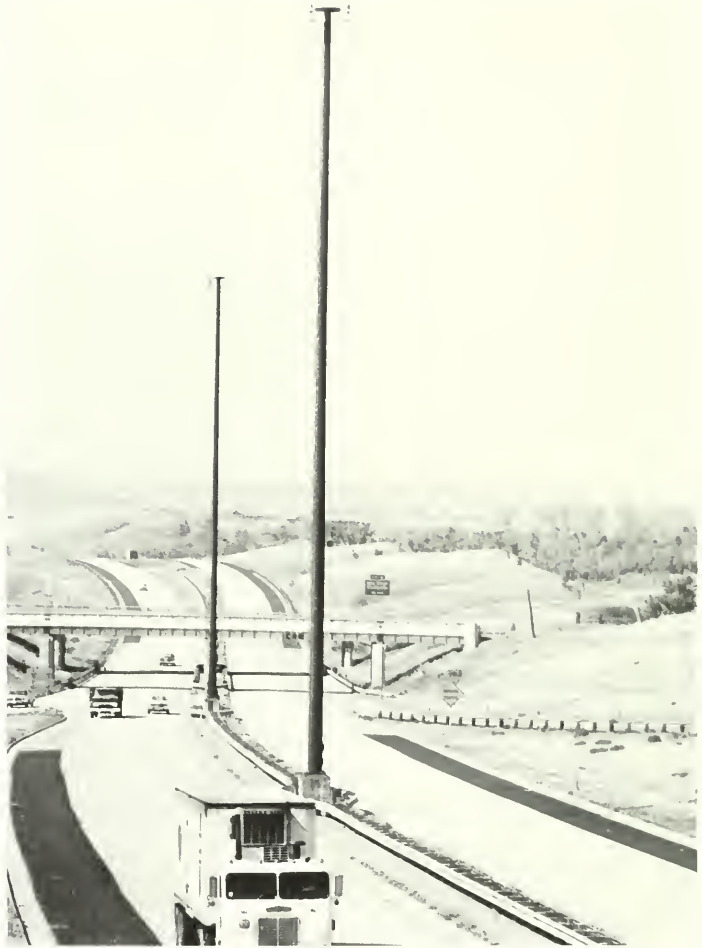
Saline seeps first appeared in Montana in the 1940's after the alternate crop fallow farming technique became well established. Large farming equipment came into use and chemical weed control was used. It is now estimated that some 400,000 acres of land have been reduced to salt deposits and the problem is increasing at the rate of 10 percent per year. Comparative projections show that at the current rate of increase measured against anticipated coal production, saline seeps may remove from agricultural production by 1990 some 20 times as much land as energy development.

Solutions to the problem involve research into the economic feasibility of prevention and control procedures, testing of reclamation methods, wide dissemination of information on preventive measures and solutions. At the year's end, the Commission was formulating a program along such lines.



**Moving
Food and
Fiber**

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The Old West has long suffered from transportation problems—most of them attributable to vast distances and sparse populations. The Region's producers and shippers have for years been plagued by a variety of freight rate problems. In recent years, reduction of rail services and vacillating air service have increased transportation difficulties.

To these traditional problems has been added a new concern, the capability of the transportation system to cope with projected energy development. There appeared to be no doubt such development would place additional difficult burdens upon an already inadequate system which is to a great extent at the mercy of gasoline availability.

The Commission's first two efforts in the transportation area involved freight rates and long-range planning to improve Regional air service. In the area of freight rates, the Commission cooperated with the Federation of Rocky Mountain States in a study of motor freight rates, seeking greater equalization of the rates and greater efficiency in movement of goods by truck.

Meanwhile, it intervened in the Interstate Commerce Commission's review of its freight rate structure, with particular interest in coal freight rates. As the hearings continued and the various States of the Region began to develop differing positions regarding the desirability and means of coal development, the Commission ceased in its efforts to express a Regional position and now merely monitors the proceedings.

The principal transportation effort of the Commission was sponsorship of a feasibility study of a Regional airport with commuter connections to all parts of the

Region. It was proposed that such an airport ultimately would develop direct international connections.

The project was designed to be performed in two phases: the first would address the feasibility and cost of establishing such a Regional facility; the second would be an assessment of possible sites.

The first phase was to examine such a facility's potential for air service improvements for economic and industrial

stimulation, and relief of the currently congested airports, followed by study of the financial feasibility of such an airport, probable costs and likely sources of funds.

As the work took shape on that phase, it became apparent that the second phase—site selection—would need to be accompanied by a third level air carrier commuter study designed to formulate a plan for furnishing the Region with adequate air service to its major airports.



Improving Services to People



In the area of human resources, as in other aspects of the Region's socio-economic well-being, the impact of coal development was seriously worsening several aggravating problems.

One problem of long-standing was the delivery of health care, complicated as were other Regional services by sparse populations which made rural medical practice an uninviting prospect to doctors. While the cities of the Region have adequate medical facilities, the outlying areas of the States uniformly fall far below the nationally recognized standard of one doctor to 700 patients.

Officials are further troubled by the fact that the majority of the doctors conducting largely rural practice are nearing the end of their careers and there has been an inability to attract young doctors into such practices.

A variety of incentives on the parts of governments and institutions thus far have failed to develop any relief. In addressing what it views as one of its major problems in the human resources area, the Commission sponsored a prototype program in Montana to upgrade paramedical services in rural communities. The project will provide trained nurses with additional education and community support so that they can perform many routine physician's functions in the absence of a doctor.



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The coal impact has aggravated conditions in the areas of employment and housing as well. While there appears to be adequate manpower in the Region to absorb additional industrialization, it is largely untrained manpower, raising the question of adequate vocational education. In the case of housing, there is a desperate shortage of adequate housing in the growing number of coal-oriented boom towns. In most instances incoming workers are relegated to mobile homes, and in some desperate cases families have been temporarily housed in tents.

To meet the employment problem, the

Commission undertook a preliminary study of employment growth and its effect upon vocational training programs. It is estimated that a coal gasification plant, for instance, will require approximately 1,000 workers and supporting community services involving another 1,000 workers.

While the study determined that the impacted States have adequate resources to insure effective utilization of in-State labor, a number of specific industry-oriented programs were recommended. Availability of Federal funds was catalogued and the ground work laid for the Commission to sponsor a regional forum for the coordination and planning of vocational education programs.

Housing is another difficult problem in some impacted communities the need eclipses the supply by several times. An interim answer has been mobile homes which can be put in place in short order at only a fraction of the expense of permanent housing. But since they are an inadequate permanent solution, the Commission launched investigation of a program to examine housing preferences of construction workers and permanent populations, to determine a range of currently available structures which would meet their needs, relative advantages and disadvantages, and other alternatives.

Increasing the Investment in Progress



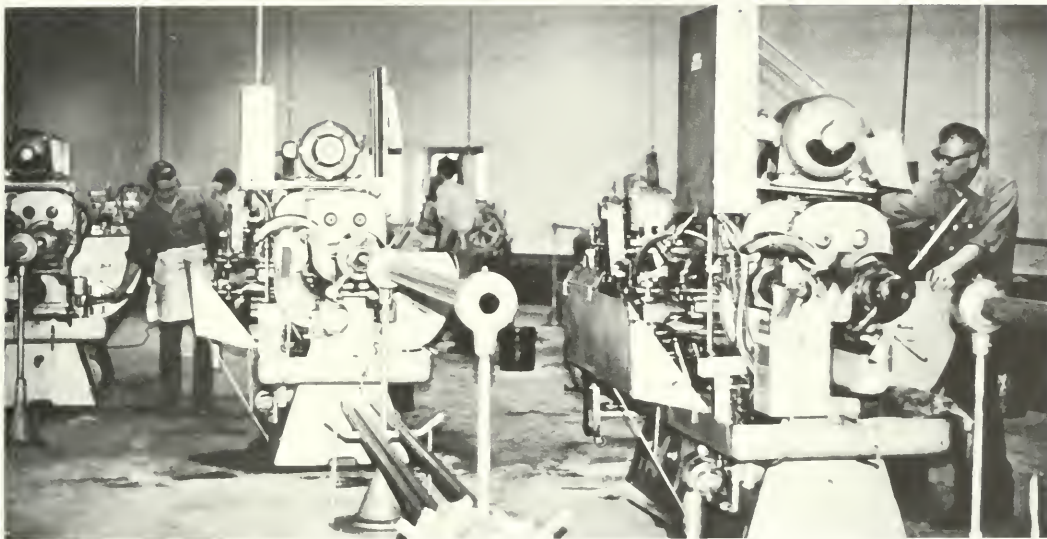
While agriculture and now coal dominate the Old West industrial spectrum, there is a widespread desire to broaden the Region's industrial base. This desire has been strengthened by the coal impact. The area still carries picturesque reminders of boom and bust in the gold fields, and Regional officials are determined to avoid the same fate for communities impacted by coal development.

The search for a broad and stable industrial base becomes more intense therefore, even while the Region adapts its resources to the coal situation and

continues its dependence upon agriculture and capitalization on the Region's great and varied natural resources.

One of the first steps to put the industrial effort into focus consisted of a preliminary Regional economic analysis. This plan was designed to identify areas in need of immediate attention and to furnish the preliminary data needed for the Regional economic development plan.

Commission officials were especially interested in capitalizing upon the growing interest in foreign markets for both agricultural and industrial products. Efforts of the individual States in this area varied from intense to little or nothing. To achieve better coordination



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and uniformity of effort, the Commission approved a broad program which would cover agricultural and industrial products, natural resources and reverse investment. It committed \$425,000 to inaugurate the program.

At the year's end, details of the program had not been developed but two advisory committees were organized to assist and guide planning efforts: one in agricultural products and processing; the second in industrial development.

To help the States expand their own economic programs, the Commission granted each State \$125,000 in State Investment Planning funds to be used in support of stronger economic planning capability.

Tourism meanwhile has been occupying an increasingly important role in Old

West states' economy. Preceding the organization of the Commission, the States had earlier adopted a regional approach to recreation and tourism development and promotion through a region-wide non-profit organization.

Much of the organization's programs during the year was oriented to Expo '74 at Spokane, Washington, and the problem of gas availability. The Commission sponsoring a Regional exhibit at Spokane and a summer-long gas availability information program designed to assure tourists sufficient gasoline supplies were available, and to locate them if necessary.



Summary Financial Statement Fiscal Year 1974

I. Technical Assistance

A. Funds Available

Coa Impact Fund	23,000,000
Non Energy Program Funds	1,820,616
Carry Over from FY1973	1,004,221
Total available for FY1974	4,224,837

B. Application of Technical Assistance Funds

Coa Funds	1,564,228
Human Resources	179,925
Industrial Development	250
Agriculture and Forestry	3,350
Recreation and Tourism	148,373
Transportation	261,563
Regional Economic Analysis	34,300
Government Services	3,720
State Investment Planning	624,500
Total obligated for FY1974	\$2,830,209

II. Administrative Expense Funds

Federal Co-chairman - Administrative Expense	150,155
Commission - Non-Federal - Administrative Expense	150,975
Total	\$ 341,130

III. Total Funds Obligated During FY1974 \$3,161,339.

Reports and Publications

OLD WEST REGIONAL COMMISSION

General

Upper Missouri River Region Socio-Economic Profile February 1973
First Annual Report, FY 1973
Old West Regional Commission (Brochure)
Old West Regional Commission Newsletter (Semi-monthly)

Energy Resources

The Procedures Manual, For Assessing the Socioeconomic Impact of the
Construction and Operation of Coal Utilization Facilities in the Old West
Region, July 1974
Surface Mining and Mined Land Reclamation: A Selected Bibliography
October 1974
Economic and Social Impacts of Coal Development in the 1970's for
Mercer County, North Dakota, November 1974
Environmental Impacts of Alternative Conversion Processes for Western
Coal Development, November 1974
Legal and Regulatory Framework of Coal Development in the Old West
Region, August 1974

Transportation

Old West Regional Airport Feasibility Study, August 1974

Human Resources

Coal Gasification Employment Opportunities for Residents of the Old
West Region, May 1974
Report on Improving Minority Resource Employment in the Old West
Region, June 1974

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Alternate

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Keith L. Colbo

Nebraska

Gov. J. James Exon

Alternate

W. Don Nelson

North Dakota

Gov. Arthur A. Link

Alternate

Robert Valeu

South Dakota

Gov. Richard F. Kneip

Alternate

Robert Weiss

Theodore R. Muenster

Wyoming

Gov. Stanley K. Hathaway

Alternate

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Executive Director

William D. Burnett

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